



## **Renter’s Guide to the City of Seattle’s Multifamily Tax Exemption and Incentive Zoning Programs**

This guide is provided by the Office of Housing to assist low income renters interested in applying for affordable housing opportunities through the City of Seattle’s Multifamily Tax Exemption (MFTE) and/or Incentive Zoning (IZ) programs. The guide describes the programs’ eligibility requirements, benefits provided to qualifying tenants and answers many frequently asked questions.

A. Program Overview .....	1
B. Finding an MFTE/IZ Unit .....	2
C. Program Eligibility- Income Maximum.....	2
D. Program Eligibility- Income Certification .....	3
E. Maintaining Program Eligibility During Tenancy.....	4
F. Affordability Period and Expiration.....	5
G. Rents in MFTE/IZ Programs .....	6
H. Rent Increases in MFTE/IZ .....	7
I. One-time Fees and Penalties.....	8
J. Use of Rental Vouchers in MFTE and IZ Programs .....	8
K. Compliance Issues .....	9
L. Questions.....	10
M. Income and Asset Documentation Tables.....	10
N. Frequently Asked Questions.....	14

### **A. PROGRAM OVERVIEW**

---

The Office of Housing’s MFTE and IZ programs incentivize developers to provide affordable housing opportunities to low-income renters. In return for leasing units at restricted rents, property owners receive a residential property tax exemption (MFTE) or the ability to build extra residential floor area (IZ).

Properties participating in MFTE are required to provide 20-25% of the total units in the building as “affordable”, or income and rent restricted. Properties participating in IZ are required to provide a variable number of units as income and rent restricted, depending on the benefit received. Units not subject to the programs’ restrictions will be rented at market rates.

When a unit participating in either program becomes available, renter applicants will complete the property’s standard rental screening process. Once complete, the property will certify the income of the household to determine program eligibility. To be considered eligible the applicant must demonstrate that the total anticipated household income for the year after move-in is below a maximum income limit for the unit. Eligible tenants will receive a restricted rent that is capped at a maximum amount for a defined period. Ineligible applicants may not rent the income restricted unit, but are welcome to reapply if they believe they will qualify at a later date.

## **B. FINDING AN MFTE/IZ UNIT**

---

To begin your search for a rent restricted MFTE/IZ unit, download the [Participating Property List](#) available on the Office of Housing's [Find Housing webpage](#).

The list is updated at least monthly and will include both current and upcoming properties participating in the program. Applicants are encouraged to review the links to buildings' leasing websites and contact properties directly for more information on affordable unit availability. The Office of Housing does not maintain a waitlist or a list of vacancies, and cannot provide estimates on when a unit will be available at a given property. If a building currently has no vacancies, property leasing staff can provide information on how to be alerted when a unit meeting your criteria becomes available.

MFTE/IZ units are a limited resource in extremely high demand and are available first-come, first-serve. Properties are only required to provide the specific number of income and rent restricted units detailed on the Participating Property List. Once these units are leased, there is no requirement for the property to accommodate additional applicants on account of falling under the maximum income.

## **C. PROGRAM ELIGIBILITY- INCOME MAXIMUM**

---

Rental units in the Multifamily Tax Exemption (MFTE) and Incentive Zoning (IZ) programs are open to all applicants that meet the property's rental screening criteria and are determined to be income eligible for the program. Applicants with rental vouchers (Housing Choice Vouchers, VASH, etc.) are encouraged to apply, but the voucher payment and tenant contribution must be able to cover the rent. Households comprised of students are allowable in the program.

To be considered eligible, a household's total gross income must be at or below the maximum allowable income cap for the unit. The maximum allowable income for the unit is determined by an income restriction placed on the unit by the City that does not change for the duration of the property's participation in the program. The restriction on the unit is expressed as a percentage of Area Median Income, or **%AMI**. For example, a unit with an 80%AMI restriction is only available to a household with a total annual gross income at or below 80% of the HUD Seattle-Bellevue Area Median Income.

**You can determine the maximum income your household can earn to be eligible for a unit using a three-step process:**

- 1.) **Find the %AMI of the unit you are interested in.** The %AMI for units in the program can be found for each property on the [Participating Property List](#). The list tells you the total number of units the property is required to provide as affordable and at what %AMI. If you are unsure about the restriction on a specific unit, contact the property for more detail.
- 2.) **Determine your household size.** Household size has a specific definition for both programs, and includes all adult household members and children. Include temporarily absent family members (such as on temporary work assignment in another state) unborn children of pregnant women, children in the process of being adopted, and children that are in the household 50% of the time

or more. Guests, guarantors, live-in aides, and foster children do not count toward the household size.

- 3.) **Determine the unit's income maximum-** You can determine the maximum allowable income for the unit using the [current income and rent chart](#). Cross reference the %AMI of the unit with your household size to get the income maximum.

You should now have the maximum income cap for the unit you are interested in- if you are still unsure of the cap, please contact the property for details. Your household must earn at or below this amount over the first year of tenancy to be eligible for the program.

#### **D. PROGRAM ELIGIBILITY- INCOME CERTIFICATION**

Once you complete a property's standard rental application, you are required to have your income certified for the program to ensure it is under the maximum you calculated above. The income certification and eligibility determination must occur prior to signing the lease. **The property will calculate your household's gross annual income through a three-step process:**

1.) **Property will provide all adult applicants with a Resident Eligibility Application (REA).** The REA is the applicant's disclosure of all incomes sources and assets available to the household over the twelve months after the anticipated move-in date. Once signed by the applicant, the property manager will request documentation to support each income and asset disclosed. Please note the following:

- The REA must be completed in full to be accepted. Failing to disclose all anticipated income over the next 12 months may be grounds for removal from the program.
- Gross annual income (before taxes) will be reported in all instances. Overtime, bonuses, tips and commissions must be disclosed. Applicants that are self-employed will report net amounts earned from the business.
- **The value of an asset does not count towards income cap, only the income earned from an asset (interest, dividends, recurring distributions, etc.) counts as income.** You will report both the value of an asset and the annual income earned.
- Personal property is not considered an asset. Laptops, furniture, personal vehicles, wedding rings, etc. are therefore not disclosed.
- If a property does not provide all adult household members with an REA, please contact the Office of Housing prior to signing a lease.

2.) **The property will request documentation to support all amounts disclosed on the REA.** The REA is an income disclosure only. Each income source you disclose must be supported by documentation that will be the basis for the final household income calculation. See tables in **Section M. Income and Asset Documentation** at end of this document for a list of documents that are required for each income source. The table is provided for informational purposes only and is

intended as a general overview of documentation that may be requested. The property will provide specific guidance on what documentation is required once a complete REA is signed and submitted.

**3.) Income Calculation and Eligibility Determination-** The property manager will calculate the total gross household income once documentation for each income and asset source is made available. If your household earns at or below the maximum income for the unit, you are eligible for the program. All information will be entered by the property into a document called the **Household Eligibility Certification (HEC)**. If your household is determined to be eligible, you will be requested to sign the HEC document. If your household is determined to be ineligible, you may request to review the HEC document for accuracy and discuss with the property manager.

Please note that the Office of Housing does not conduct the income certification and does not provide pre-approvals. **Renters should work closely with the property and address questions or concerns directly to staff on-site. If there is a question they can't answer, staff at the property will contact their compliance department or the Office of Housing for guidance.**

The income certification process can take up to two weeks, however this is not guaranteed. Multiple factors may hold up an eligibility determination, including the need to request additional documentation, waiting on an unresponsive employer, or the application was received during a busy time of year. Properties that are preleasing units may have a particularly slow turnaround as they are typically completing multiple certifications at the same time. Applicants should keep in close touch with the property and request status updates when needed.

MFTE/IZ units are not intended as emergency housing and exceptions are never made to the income eligibility criteria or process, regardless of the potential impacts on a household. Applicants are requested to be responsive to information requests and plan accordingly in case an ineligibility determination is made.

Being determined income eligible for the program does not automatically entitle a household to rent the unit. Your household is required to meet all of the property's policies and screening criteria as well, which are not directly governed by the MFTE/IZ programs. The Office of Housing does not have the authority to lower the rental screening criteria at a property to accommodate a household, including for past evictions, poor credit history, inability to meet a minimum income policy, or economic hardships.

## **E. MAINTAINING PROGRAM ELIGIBILITY DURING TENANCY**

To maintain eligibility after the initial move-in certification, the unit must be the household's sole and primary residence. The unit may not be subleased or otherwise occupied by parties other than the income eligible household (even temporarily through services such as AirBnB) for the duration of the household's participation. Changes in the adult household composition (for example, adding a new roommate) will trigger an income certification. Tenants are required to contact the property management immediately when any change occurs to the adult household composition- this includes occupants who no longer meet the definition of guests. Failing to disclose additional adult residents at

any point after move-in is in most instances a lease violation and may be grounds for permanent removal of the household's affordability restriction.

Transfers to units at the same building with a lower %AMI require a new income certification. Transfers to units in the same building with the same AMI% or greater, and no changes to household composition, do not require a new certification.

If a resident wants to transfer to another building, even if managed by the same property management company, a new income certification will be required.

Some properties will be listed on the Participating Property List as “**P5- annual income recertification required**”. This means each MFTE household at the property will complete income recertifications annually and will no longer be considered eligible for the program when the total annual income exceeds 1.5x the current income cap on the unit. The tenant is not required to move, but will instead revert to market rate. The next comparable vacant unit will then be designated for the program. As an example, if the income cap for an 80%AMI unit was \$60,000, the household would no longer be eligible when their recertification indicates they earn more than \$90,000 (\$60,000 x 1.5). Please refer to the [Participating Property List](#) to see if this requirement applies at a property, or contact the property directly for more information.

## **F. AFFORDABILITY PERIOD AND EXPIRATION**

---

Each building participating in MFTE or Incentive Zoning must provide income and rent restricted units for a defined **affordability period**. Once the affordability period expires, the property is no longer required to provide units at restricted rents. Any new leases signed or renewed after the expiration date of the affordability period will be at the market rate.

Buildings participating in the MFTE program typically have affordability periods of 12 years. This applies to the property, not the resident. For example, if an income eligible household moves in in year 8 of the affordability period, the rent restriction will only apply for four more years. Units that are in the Incentive Zoning program typically have restrictions for 20-50 years. Interested applicants and current renters can find a building's expiration date(s) on the [Participating Property List](#).

All applicants and renters should note that once a property completes its affordability period, the property cannot renew either program. Renters in the MFTE program should be aware that as a voluntary program, it is possible for a building owner to cancel the tax exemption during the affordability period and no longer provide affordable housing. Regardless of whether the affordability restrictions cease due to expiration or cancellation, tenants will continue to pay their current rent for the duration of their lease term, but would revert to market rate upon renewing or going month-to-month. Cancellation of the tax exemption by the property may come with a penalty, so should be considered a rare but possible occurrence. The Office of Housing and/or the property will notify all current residents in affordable units about their options when an expiration is pending or a cancellation has occurred.

## G. RENTS IN MFTE AND IZ PROGRAMS

---

Tenants participating in the MFTE and Incentive Zoning programs benefit by receiving a rent restriction on their unit. The rent restriction is always the same %AMI as the income restriction for the unit. For example, a studio unit listed as 65%AMI on the [Participating Property List](#) has a 65%AMI income limit **and** a 65%AMI studio rent limit. So, even if the actual household income falls below the 40%AMI mark, the unit's rent maximum is still calculated based on the 65%AMI.

In affordability programs, this maximum rent figure represents the maximum gross rent that the property can charge for monthly occupancy. **Gross rent** includes your base rent, a utility allowance for any tenant paid utilities and any recurring fees that you are required to pay to occupy the unit.

The quickest way to determine the rent or find out more information on fees is to contact the property manager. For those interested in calculating the maximum monthly payment on their own, use the following formula:

$$\begin{array}{r} \text{Maximum Gross Rent} \\ - \text{Utility allowance} \\ - \text{Required recurring fees} \\ \hline \text{Maximum monthly rent payment} \end{array}$$

**The three-step process to determine the maximum rent payment is as follows:**

**1.) Determine Maximum Gross Rent-** Use the [Participating Property List](#) to find the property and unit type you are interested in renting (studio, 1BR, 2BR, etc.). Compare the %AMI and associated unit type to the current [rent schedule](#) (use the Multifamily Tax Exemption schedule for MFTE units and the Incentive Zoning schedule for IZ units. Properties can participate in both programs, so if you aren't sure what designation applies to a specific unit, contact the property for more information.

**2.) Deduct the Utility Allowance-** Deduct the utility allowance based on the Seattle Housing Authority's current [Utility Estimate Schedule](#). Utility allowances are determined based on the utility responsibility of the tenant and the unit type. **Please note that once this deduction is made, the tenant is then responsible for the full utility bills regardless of cost.** The utility allowance is intended to account for "average" utility usage only and does not represent a cap on your utility payment or a credit of any kind. Please contact the property directly for information on what utilities the tenant is responsible for.

**3.) Deduct Required Recurring Fees that are a Condition of Tenancy-** If the rental agreement requires you to pay a recurring fee to live at the property, this is factored into the gross monthly rent you are charged. For example, if renter's insurance is a requirement in the lease, the property must provide a deduction. At their option, properties may deduct your actual renter's insurance monthly premium, or use a \$12 deduction, or recommend an insurance carrier to you to cover the lease requirement and deduct that amount even if you turn it down in favor of another company. Another common recurring charge is the King County Sewer Capacity Fee, which is not considered a consumable utility covered

above through the utility allowance. Any other mandatory recurring fee not covered here must be deducted as well.

Once the above information is known, the maximum monthly rent would be calculated by the property similar to the following example:

\$1,092 (2017 maximum gross rent on a 65%AMI studio unit)  
-\$40 (utility allowance, tenant pays electricity and electric baseboard heat for a studio unit)  
-\$52 (required recurring fees (\$12 renter's insurance, \$40 King County Sewer Capacity Fee)  
**\$1,000 (adjusted maximum monthly rent payment)**

In this example, the tenant can be charged up to \$1,000 in rent, is responsible for their full electric bill (which includes heat), must obtain renter's insurance, and must pay the King County Sewer Capacity Fee.

The above calculation does not include optional recurring fees, such as for parking spaces, storage, pets (not service animals), etc. When the tenant elects to receive these optional amenities, the associated fees can be added on to the adjusted rent. Using the above example of a maximum monthly rent of \$1,000 and adding on a \$150 parking space and a \$75 for basement storage, the property can charge \$1,225 and is in compliance with the program. Optional fees may be no greater than what market rate tenants pay for the same amenity, but are not capped or otherwise restricted by the program in any way.

## **H. RENT INCREASES IN MFTE/IZ**

---

The Office of Housing publishes [income and rent limit schedules](#) for each of its affordable housing programs. Income limits are based on American Community Survey data for the Seattle-Bellevue area published by the U.S. Department of Housing and Urban Development (HUD). Rent limits are in turn calculated by the Office of Housing based on the HUD income limits. For the last several years, new income and rent schedules have been made effective early April, but the publication date is wholly subject to federal resources and constraints.

The rent limit that will apply to your unit at move-in is based on the rent schedule currently effective as of the first day of your lease. This rent maximum will apply for the length of the lease term, and the property cannot raise your rent or otherwise change the terms of your lease without your consent. Once the lease term is due to expire, the property may send you a lease renewal letter or you may have the option of going month-to-month. Provided the required notice is given, the property can raise your rent to the maximum on the then current rent schedule.

Maximum rents in affordability programs are calculated based on income demographics, so will fluctuate accordingly. Incomes and rent maximums have gone down in some years, but have increased as high as 7.7% in others. The 10-year average annual increase for the period of 2008-2017 is 2.4%; the median for same period is 1.6%.

## **I. ONE-TIME FEES AND PENALTIES**

---

The MFTE and IZ programs do not restrict or otherwise waive one-time or move-in fees. Seattle City Council passed an ordinance in December 2016 restricting move-in fees and allowing for payment plans dependent on the length of the fixed-term lease. This ordinance applies to rental properties citywide effective January 15<sup>th</sup>, 2017. More information on the ordinance and contact information for questions can be found [here](#).

Tenants occupying units in the program are subject to all terms agreed to in their lease that are otherwise legal and do not conflict with MFTE/IZ program guidance. The Office of Housing governs the income eligibility and monthly rent restrictions on the unit only, and does not have authority to reduce or otherwise waive fees for late rent payments, breaking the lease prior to the end of term, damages, etc. Because of this, the Office of Housing does not mediate disputes between the tenant and landlord or otherwise comment on the merit of any fees/penalties assessed.

## **J. USE OF RENTAL VOUCHERS IN MFTE AND IZ PROGRAMS**

---

The use of rental subsidies, such as Housing Choice Vouchers (formerly Section 8) or Veteran Affairs Supportive Housing (VASH), is allowable in MFTE/IZ units. However, applicants to these units must meet the property's screening criteria, the voucher payment and tenant contribution must be able to cover the rent, and the property must otherwise meet the subsidy program's guidelines. The Office of Housing does not administer these subsidy programs, so cannot make a determination on what will be allowable. Applicants with vouchers should refer to the following resources if there are questions about how to lease a unit or what the program will cover.

- [Housing Choice Voucher Program](#) (Section 8)
- [Veteran's Affairs Supportive Housing](#) (VASH)

Voucher holders are required to complete the MFTE/IZ income certification. Any rental subsidy received, however, is excluded from the income projection for the purposes of determining program eligibility only. Otherwise, the rental assistance is counted as income (such as for meeting a minimum income policy) and it is illegal for a property to discriminate against the use of rental subsidies as a source of income.



## **K. COMPLIANCE ISSUES**

---

There are many laws, ordinances and rules that govern the rental of your unit. The Office of Housing's MFTE and IZ programs govern the income maximum and rent restrictions on the unit only. The Office of Housing requires that properties remedy issues upon discovery when income certifications or rent calculations are not in line with program standards. Current applicants and renters should contact the Office of Housing in the following situations:

As a **current applicant** to the program, contact the Office of Housing if:

- The property does not provide a MFTE/IZ Resident Eligibility Application (REA) to your household when you apply for a designated MFTE/IZ unit.
- Two weeks or more have passed since your household submitted a complete REA (based on signature date) and the property has not determined your eligibility status or otherwise been in communication. Applicants should contact the property in writing requesting a status update and allow at least one full business day for a response prior to contacting the Office of Housing.
- The property determines your household is income ineligible for the unit but does not allow you to review documentation or is unresponsive to questions.
- You believe that an income calculation was incorrectly performed. Please note that properties are required to look at all anticipated income for the 12 months after the lease will begin, and will annualize amounts received. In instances where a household receives very little income, there are income fluctuations or there is no solid third party verification of current and expected income, the property may certify the household's income based on income received over the previous 12 months.

As a **current resident** to the program(s), contact the Office of Housing if:

- You believe your rent is above the maximum allowable. The Office of Housing requests that tenants first discuss the rent calculation with property management.
- There are changes to your MFTE/IZ rent while you are in a current fixed-term lease that result in your household paying higher rent.
- The property has communicated that you are no longer eligible for the program after move-in without an explanation.
- The property is requiring an income recertification when there is no change in adult household members, you are not transferring to a unit with a lower %AMI, or you are not in a building that requires annual recertifications.
- The property says the MFTE/IZ program is requiring you to move out.

## L. QUESTIONS?

---

- **Interested applicants** should contact properties directly for more information on vacancies, completing the income certification process, rents and fees currently charged, utilities required to be paid, unit layouts and property-specific policies.
- **Current applicants and residents with routine compliance related questions** (how rent for unit is calculated, adding new residents, transfers, income certification timeframe, etc.) are encouraged to contact the property leasing agent or property manager as appropriate.
- For **general program inquiries** not covered in this guide, contact the Office of Housing (206) 684-0721.
- **Current applicants and residents that believe there is a compliance issue specific to the MFTE or IZ program income and rent restrictions** should contact [justin.bombara@seattle.gov](mailto:justin.bombara@seattle.gov), 206-233-5128. Please include the following information:
  - Your name and contact information, preferably phone and email
  - Property Name
  - Unit #
  - MFTE/IZ Compliance issue

## M. INCOME AND ASSET DOCUMENTATION TABLES

---

The following tables are meant as a general overview to the types of income applicants must disclose, amounts counted as income, and documentation that it is helpful to have on hand when applying. Property managers will provide specific guidance on what is required once the Resident Eligibility Application (REA) is submitted. Direct questions about the income documentation required to the property manager or leasing staff responsible for administering the income certification process. If there is a question they can't answer, they will contact their compliance department or the program and get back to you.

### Income Sources

Income Source	What counts as income	Documentation to have on hand
<b>Employment Income</b>	Gross wages, tips, commissions, bonuses, shift differential, raises and overtime anticipated to be earned in next 12 months. No deductions are allowed for wage garnishments, healthcare, taxes, etc. Deductions may be allowable for reimbursed work-related expenses.	Provide employer contact information to property- they will contact your employer directly. Have six most recent consecutive paystubs available as back up if requested. If your employer uses the Work Number of similar income verification service, the cost may be passed on to you.
<b>Self-Employment</b>	Net amounts earned from the business. Gross income – business expenses – interest on loans unrelated to business expansion – depreciation of business assets.	MFTE/IZ Self-Employment Verification Form will be provided to you. For businesses one year or older, have most recent signed 1040 with schedules, <b>or</b> if business less than a year old, bring Profit and Loss statement. Additional

		documentation may be required to support amounts disclosed.
<b>Social Security Income</b>	Anticipated payments to be received during 12-month period.	Bring award letter <u>or</u> most recent SSI benefits statement. Property may contact Social Security Administration directly.
<b>Child Support</b>	Anticipated payments to be received during 12-month period.	Complete MFTE/IZ Child Support Affidavit on-site, <u>or</u> bring print out from DSHS Support Enforcement <u>or</u> notarized letter from parent paying support.
<b>Alimony/Spousal Payments</b>	Anticipated payments to be received during 12-month period	Decree <u>or</u> letter submitted by applicant.
<b>Public Assistance</b>	Anticipated payments to be received during 12-month period. Food stamps, HUD housing assistance (Section 8) and Shelter Plus Care are <u>excluded</u> from the income calculation for the purposes of MFTE/IZ eligibility only.	Property will send form to agency <u>or</u> applicant may submit most recent benefits statement.
<b>Unemployment, L&amp;I Disability</b>	Anticipated amounts to be received during 12-month period.	Property will send MFTE/IZ Unemployment Benefits Verification form to agency <u>or</u> applicant may submit most recent benefits statement.
<b>Military Pay</b>	Anticipated gross amounts to be received during 12-month period.	Leave and Earnings Statement <u>or</u> property will submit Military Pay Verification Form to Commanding Officer.
<b>Other Periodic Distributions</b>	Anticipated amounts to be received during 12-month period.	Form submitted to financial institution <u>or</u> statement of income received.
<b>Gift Income</b>	Anticipated amounts to be received during 12-month period.	Applicant or person providing income will complete and have notarized a MFTE/IZ Gift Affidavit.
<b>Rental Property Income</b>	Net of rental payments less mortgage payments, taxes, insurance, maintenance costs.	Most recent signed 1040 tax form with Schedule E.
<b>Education Assistance- Student Loans, Grants, Work Study, Financial Aid Packages Post 9/11 GI Bill</b>	Student financial assistance (grants, loans, work study, financial aid packages etc.) are <b>excluded</b> from income for the purposes of the income certification only, unless the tenant has a Section 8 voucher. The Post 9/11 GI Bill is also excluded in full. The basic allowance for housing is excluded as well.	Provide financial aid award letters to property and documentation showing student status. Please note that income provided by family or other sources that is not part of a student financial aid package, even if used for tuition payments, must be counted as gift income.
<b>Other Income Sources</b>	Anticipated amounts to be received during 12-month period.	Dependent on source.

## Assets

Assets are items of value that a household has access to that may be turned into cash. The cash value of assets and the income from assets must be taken into consideration when determining the income eligibility of a household. In general, **only the income earned or other regular distributions from assets will count towards the household income.** For example, for a household with \$2,000 in a savings account (the asset value) that is anticipated to earn \$5.00 in interest in 12 months (income earned from assets), only \$5.00 would count towards income for the certification. **There is no cap on assets in the MFTE or IZ programs, only a cap on income.**

Personal property may be an item of value that can be turned into cash, but is not counted in the calculation unless it is held as an investment. A personal wedding ring, for example, is personal property and is not disclosed. A coin collection, however, would be personal property held as an investment and is disclosed.

Documentation of assets differs depending on the total value of assets held by the household. When the applicant household has under \$5,000 in net asset value, properties may document this using the MFTE/IZ Under \$5,000 Asset Certification form. The form may only be used if the entire household's assets are under \$5,000, and only one should be completed per household.

Households with \$5,000 or more in asset value cannot use the Under \$5,000 Asset Certification form. Properties are instead required to obtain documentation to verify the value of all assets disclosed on the REA and any income generated from those assets.

### Household Claims Less than \$5,000 in assets

Asset	What counts as income	Documentation to have on hand
<b>All assets available to household disclosed in REA under \$5,000</b>	Actual interest, dividends, recurring distributions anticipated to be earned/received in 12 months after move-in.	Property will provide you with an Under \$5,000 Asset Certification form. Recommend having account statements available to quickly provide the asset value and income earned from assets.

### Household Claims \$5,000 or more in total assets

Asset	What counts as income	Documentation to have on hand
<b>Checking Account</b>	Interest income anticipated to be received (if interest bearing account) during 12-month period.	Have bank account and contact information available for property manager <u>or</u> bring most recent six consecutive monthly bank statements. Properties may request full statements showing individual transactions for period.
<b>Savings Account</b>	Interest income anticipated to be received during 12-month period.	Have bank account and contact information available for property manager <u>or</u> bring

		current savings account statement. Properties may request full statements showing individual transactions.
<b>Stocks, Bonds, Money Market Funds, CDs, IRA, 401k, Annuities.</b>	Interest income anticipated to be received during 12-month period.	Recommend bringing recent monthly/quarterly statements. Property will either submit MFTE/IZ Annuity, Stock, and 401k Verification Form to financial institution <u>or</u> will accept statements submitted by applicant showing asset value and interest earned.
<b>Trusts</b>	If beneficiary of a trust and has access, will calculate any interest. If receiving recurring payments, these will be counted as income. If grantor and trust is revocable, any interest on value is counted. If grant and trust is nonrevocable, it is not counted.	Applicant will provide documentation showing terms of trust, any recurring payments received. Additional information may be requested.
<b>Personal Property Held as an Investment</b>	Personal property is typically not counted unless it is being held as an investment. Assets that are part of active business are not counted. Interest income will be calculated at actual amount or minimum imputed value of 0.06% .	Documentation provided by applicant, including appraisal.
<b>Assets Disposed of For Less Than Fair Market Value in Prior 2 years</b>	Asset value is difference between the fair market value of the asset and the amount received for the asset. Interest income will be calculated at actual amount minimum imputed value of 0.06%.	Self-certification by applicant or person who purchased or received asset and an appraisal.
<b>Cash on Hand</b>	Asset value is current amount of cash on hand, income will be amount as if earning interest at 0.06%.	Cash on Hand Affidavit will be provided by property.

## N. FREQUENTLY ASKED QUESTIONS

---

This section covers many common questions about the programs and is updated periodically.

I. Income Minimum Policies.....	14
II. Guarantors/Cosigners.....	15
III. Student Eligibility.....	15
IV. Breaking Leases and Lease Takeovers.....	16
V. Unit Transfers .....	16
VI. Subleasing .....	17
VII. Income Certification.....	17

### I. INCOME MINIMUM POLICIES

---

#### **Q. The property has an income minimum. Is this allowable?**

A. Yes, income minimum policies are established by the property and are allowable when they do not exceed the MFTE/IZ income maximum or otherwise create such a small income window that the unit cannot be rented. Properties typically enforce policies that require monthly income to be 2.5 to 3 times the rent or greater. For example, if a 2.5x policy was in effect and the rent is \$900, the applicant would be required to earn \$2,250 a month (\$27,000 annual income) to be eligible for the unit. Please contact the property directly for more information on their income minimum policy.

#### **Q. Certain income is excluded from the MFTE/IZ income calculation, which makes it harder to meet the income minimum. Is this allowed?**

A. It is best to treat the MFTE/IZ income calculation as separate from the property's income minimum calculation.

**MFTE/IZ income maximum-** In the MFTE/IZ programs, some forms of income are excluded from the calculation. This includes rental assistance payment through the Section 8 program, some forms of military income, and student financial assistance, just to name a few. Because the applicant is trying to fall under an income cap, these exclusions serve to assist the applicant in qualifying for the unit. Excluding sources of income from the calculation will always work in the applicant's favor.

**Property income minimum-** For the purpose of the income minimum/income-to-rent ratio calculation, properties are required to include income from Section 8, and may include amounts of student financial assistance over and above tuition. Please contact the property if there is any question about what gets counted for their income minimum calculation.

#### **Q. I fall well under the MFTE/IZ maximum income for the unit but do not meet the income minimum. What are my options?**

A. The MFTE/IZ programs do not govern the income minimum for a property, so tenants are encouraged to contact the property directly to see what options are available. Some properties allow for a guarantor provided their monthly income is four times the rent. The income of the

guarantor does not count towards the MFTE/IZ income maximum because the guarantor is not listed as an occupant on the lease. If the guarantor provides recurring gift income payments to the resident, this is counted as income toward the MFTE/IZ income cap.

**Q. I have a Housing Choice (Section 8) voucher that covers most of the rent, but there is no way I could meet the income minimum. Is the property calculating the income minimum correctly?**

A. For Housing Choice Voucher holders, the property must calculate the income to rent ratio based on the portion of rent the tenant is responsible for paying, not the full rent amount (resident payment and the voucher subsidy payment). **As an example**, we will assume the rent for a one bedroom unit is \$1,200. The voucher will cover \$1,000 in rent and the resident is required to pay 30% of their income toward rent for at \$200. If the property uses a 2.5x income minimum policy, the minimum income they could earn would be calculated as \$500 a month (\$200 tenant payment x 2.5), not \$3,000 a month (\$1,200 full rent amount x 2.5).

## **II. GUARANTORS/CO-SIGNERS**

---

**Q. Am I allowed to have a guarantor that assists with rent payments? Will the guarantor's income put me over the income maximum?**

A. The property may or may not allow a guarantor. When this is an option, the guarantors is acceptable for the program provided the individual is not on the lease and has no rights to the unit. The income of the guarantor does not count towards the MFTE/IZ income calculation because they are not a member of the household. However, if the guarantor provides gift income in any form to the tenant (assistance with rent, school, etc.), this will be counted towards the MFTE/IZ income cap.

Please note that the property will count the guarantor's income towards meeting the property's income minimum, but this is separate from the calculation for MFTE/IZ program eligibility. See Income Minimum Policies (above) for more information.

## **III. STUDENT ELIGIBILITY**

---

**Q. Are students eligible for MFTE/IZ?**

A. Yes, student households are eligible to participate in the MFTE/IZ programs. The exception to this is when a property has received funding through another affordable housing funder that has more restrictive rules on student household eligibility (such as the Low-Income Housing Tax Credit program). This is a relatively rare occurrence in the MFTE/IZ program and most properties will not have a student restriction. Questions regarding student eligibility restrictions should be directed to the property.

**Q. I am a full-time student living off student loans, grants, and/or other awards I receive as a part of a financial aid package. Does this count as income?**

A. The MFTE/IZ programs follow HUD 4350.3 income certification rules, which state that:  
*"All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are **excluded** from annual income except for*

*students receiving Section 8 assistance. This is true whether the assistance is paid to the student directly or to the educational institution.”*

**This exclusion applies to the MFTE/IZ income certification only.** Any income determination the property conducts for meeting the income minimum should be treated as separate, and income beyond tuition and other expenses may be counted towards meeting the income minimum. Please direct questions about the property’s income minimum policy directly to the property manager.

To be excluded, student financial assistance must be part of a financial aid package awarded to student and intended to assist the student in pursuing a degree. This exclusion **does not** apply to assistance from family or other outside entities, even if the assistance is intended to be used for books, tuition, or other academic related expenses. Recurring payments from family, regardless of the intended purpose, **is** considered gift income. Disclose these amount in the Resident Eligibility Application and you will complete an MFTE/IZ Gift Affidavit.

**If you are a student and receive Section 8 rental assistance** (Housing Choice Voucher), the MFTE/IZ programs includes any financial assistance received in excess of amounts received for tuition is included in annual income except if 1.) the student is over the age of 23 with dependent children or 2.) the student is living with his or her parents who are receiving Section 8 assistance. When either of these two situations apply, the full amount of student financial assistance is excluded.

#### **IV. BREAKING LEASES AND LEASE TAKEOVERS**

---

**Q. Can the MFTE/IZ programs assist me with breaking my lease?**

A. The MFTE/IZ programs provide no additional protections in regard to penalties incurred for breaking a lease prior to the end of its term. Tenants are encouraged to read their lease carefully and understand the consequences of early termination, which often requires a large fee or forfeiture of the security deposit. The programs cannot act as advocates to release a tenant from a lease. Tenants must negotiate with the property to see if an agreement can be reached or if another alternative would be allowable. Additional resources on breaking leases can be found [here](#).

**Q. I would like to move-out of my apartment and have a friend takeover the lease. Is this possible?**

A. At the option of the property, an MFTE/IZ unit may be relet by voiding the original lease (releasing the original tenant from their obligations) and signing a lease with a new tenant. The new tenant may only sign a lease after a full income certification is conducted and the household is determined to be eligible for the program. Please note that subleasing in any form is not allowed by the program and is typically prohibited in most lease terms.

#### **V. UNIT TRANSFERS**

---

**Q. Can I transfer to another MFTE/IZ unit in my building?**

A. If the property allows the transfer, this is acceptable. If the unit being transferred to is restricted at the same %AMI or higher as the unit the tenant currently occupies, the transfer may occur with no additional income certification required. However, if the tenant intends to transfer to a unit with a lower %AMI, a new income certification must be performed. An



ineligibility determination means the tenant cannot transfer to the unit with a lower %AMI restriction. Questions about transfers should be directed to the property.

**Q. I am currently an income eligible occupant of an MFTE/IZ unit. Can I transfer to a MFTE/IZ unit in another building and remain eligible?**

A. This situation is not a “transfer”, but is instead treated as a move-out of the current building and a move-in at the new building. Because of this, it requires a new income certification. If the tenant is determined to be ineligible, they would not be able to rent the unit. This is true even if both properties are managed by the same company or are under the same ownership.

**Q. I am currently an income eligible occupant of an MFTE/IZ unit and want to transfer to a market rate unit in the same building that will better accommodate my household. Is this allowable?**

A. A transfer to a current market rate unit, where the MFTE/IZ designation “floats” with the tenant, is at the option of the property and can only occur when the required number and types of units continue to be met. For Incentive Zoning units, this is at the property’s option and will require Office of Housing approval. The Office of Housing cannot require that a property accommodate individual tenant unit preferences if the building is already meeting its obligation to provide affordable units.

## **VI. SUBLEASING**

---

**Q. I would like to sublease my unit for the summer. Is subleasing allowed by the programs?**

A. Subleasing is never allowed by the programs and is usually prohibited in the terms of the lease. Subleasing includes making the unit available for AirBnB or similar services regardless of the length of time. Only the income eligible occupants listed in the lease may reside in the unit. Subleasing a unit in any form can be grounds for immediate removal of the MFTE/IZ rent restriction.

## **VII. INCOME CERTIFICATION**

---

**Q. How long does the income certification take? Is there anything I can do to speed up the process?**

A. The Office of Housing requests that properties participating in the MFTE and IZ programs make best efforts to complete the income certification process within two weeks of an applicant’s submission of a complete and signed Resident Eligibility Application (REA). **This does not guarantee that the income certification will be complete within two weeks** as there may be valid reasons why a certification is taking longer than anticipated- a property may be engaged in the initial preleasing of units, additional documentation is deemed necessary, or an employer may not be providing the needed documentation to the property. There are, however, steps you can take to assist the process:

- 1.) Once the REA is complete, the property will request income and asset documentation for each income source. Provide the requested documentation in full.

- 2.) Once you have submitted the complete documentation, request an approximate date that the property anticipates having the certification complete. Check back in with your property contact on that date.
- 3.) If you disclosed employment income, your employer will be contacted directly by the property with an Employment Verification Form. You can also let your employer know to expect the form and that your housing situation is dependent on its completion.
- 4.) If the property has not responded to your inquiries and two weeks have elapsed since you submitted the REA, it is recommended you make a written attempt for a status update on your income eligibility status. If you do not receive a response in one full business day, please contact the Office of Housing.

**Q. I need to get out of my apartment in the next week. Can the Office of Housing expedite my income certification?**

A. Properties are responsible for conducting the income certification process and it must be completed to program standards for all households. The Office of Housing requests that properties make best efforts to complete certifications within two weeks of receiving a complete Resident Eligibility Application (REA) and believes that is a reasonable timeframe. For this reason, we do not require a property to accommodate individual situations and the property is not allowed to offer exceptions to quickly lease a unit. This includes signing a lease and conducting the income certification after the fact. The MFTE/IZ income and rent restricted units should not be construed as emergency housing.